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From:

Sent: Thursday, December 10, 2009 3:51:26 PM

To:

Cc:

Subject: FW: Small Shipyard Grant Program

A possible basis for excluding these grants from gross income is the nonshareholder contribution to capital rule found in section 118 of the Code. Please note that has jurisdiction over this provision. , whose email appears below, would be happy to consider your specific facts.

From:

Sent: Wednesday, December 09, 2009 12:53 PM

To:

Cc:

Subject: RE: Small Shipyard Grant Program

The determination of whether §118 applies to the transaction is determined by the facts of the agreement. We suggest having the taxpayer come in for a pre-submission conference because we need to know the exact facts. If the agreement specifies the monies will be used for capital improvements, then §118 may possibly apply. However, if the monies will be used for operations such as training §118 will not apply.